

Charter Township of Benton, Michigan Berrien County

Financial Report with Additional Information

December 31, 2003

Charter Township of Benton, Michigan

Contents

Report Letter	1
General Purpose Financial Statements	
Combined Balance Sheet - All Fund Types and Account Groups	2-3
Combined Statement of Revenue, Expenditures and Changes in Fund Balances - All Governmental Fund Types	4
Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual – General and Certain Special Revenue Fund Types	5
Combined Statement of Revenue, Expenses and Changes in Retained Earnings/Fund Balances - All Proprietary Fund Types	6
Combined Statement of Cash Flows - All Proprietary Fund Types	7
Combined Statement of Changes in Plan Net Assets – Trust Funds	8
Notes to Financial Statements	9-27
Report Letter	28
Additional Information	
Retirement System Required Supplementary Information:	
Analysis of Funding Progress	29
Schedule of Employer Contributions	29
General Fund	
Schedule of Revenue - Budget and Actual	30
Schedule of Expenditures – Budget and Actual	31-36
Special Revenue Funds:	
Combining Balance Sheet	37
Combining Statement of Revenue, Expenditures and Changes in Fund Balances	38

Charter Township of Benton, Michigan

Additional Information (Continued)

Police Fund:	
Schedule of Revenue and Expenditures – Budget and Actual	39
Fire Fund:	
Schedule of Revenue and Expenditures – Budget and Actual	40
Rental Ordinance Fund:	
Schedule of Revenue and Expenditures – Budget and Actual	41
Enterprise Funds:	
Combining Balance Sheet	42
Combining Statement of Revenue, Expenses and Changes in Retained Earnings	43
Combining Statement of Cash Flows	44
Sanitary Sewage System Fund:	
Schedule of General Operating Expenses	45
Water System Fund:	
Schedule of General Operating Expenses	46
Sanitary Sewage System Fund:	
Schedule of Indebtedness	47
Trust and Agency Funds:	
Combining Balance Sheet	48
Combining Statement of Changes in Plan Net Assets – Trust Funds	49
General Long-Term Debt Account Groups:	
Schedule of Indebtedness	50-51



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Independent Auditors' Report

Members of the Township Board
Charter Township of Benton, Michigan

We have audited the accompanying general purpose financial statements of the Charter Township of Benton, Michigan as of December 31, 2003 and for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the Charter Township of Benton, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Charter Township of Benton, Michigan as of December 31, 2003 and the results of its operation and cash flows of its proprietary funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

April 27, 2004

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Charter Township of Benton, Michigan

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
Assets				
Cash and cash equivalents (Note 2)	\$ 764,518	\$ 338,043	\$ -	\$ 57,006
Investments (Note 2)	1,500,000	-	222,323	-
Receivables:				
Taxes	303,742	2,906,650	-	-
Special assessments	279,301	-	-	-
Accrued interest	122,214	-	-	-
Customers and others	1,149,834	589	-	-
Prepaid expenses and other assets	-	-	-	-
Due from other funds (Note 3)	160,017	1,362,608	-	-
Due from other governmental units	290,331	-	-	-
Capital assets (Note 4)	-	-	-	-
Amount available for debt service				
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total assets	\$ 4,569,957	\$ 4,607,890	\$ 222,323	\$ 57,006

**Combined Balance Sheet – All Fund Types and Account Groups
December 31, 2003**

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total Government (Memorandum Only)	
				December 31	
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	2003	2002
\$ 5,108,827	\$ 1,954,517	\$ -	\$ -	\$ 8,222,911	\$ 11,377,481
-	12,959,834	-	-	14,682,157	13,933,570
-	-	-	-	3,210,392	2,373,917
1,295,518	-	-	-	1,574,819	1,775,807
-	-	-	-	122,214	43,525
908,982	-	-	-	2,059,405	661,769
139,054	-	-	-	139,054	145,504
1,040,780	-	-	-	2,563,405	1,670,202
-	-	-	-	290,331	359,073
8,905,270	-	6,959,295	-	15,864,565	13,619,874
			12,387	12,387	-
-	-	-	2,197,416	2,197,416	2,319,225
\$17,398,431	\$14,914,351	\$ 6,959,295	\$ 2,209,803	\$ 50,939,056	\$ 48,279,947

Charter Township of Benton, Michigan

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ 313,290	\$ 23,226	\$ -	\$ 44,619
Accrued expenses and other liabilities	191,722	444,722	-	-
Bond interest payable	-	-	-	-
Due to other funds (Note 3)	1,707,424	-	-	-
Due to other governmental units	17,062	-	-	-
Deferred revenue (Note 5)	1,732,738	3,805,979	-	-
Long-term debt (Note 6)	-	-	-	-
Total liabilities	3,962,236	4,273,927	-	44,619
Fund Equity				
Contributed capital (Note 8)	-	-	-	-
Investment in general fixed assets	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund balances:				
Reserved (Note 9)	-	279,808	222,323	12,387
Unreserved	607,721	54,155	-	-
Total fund equity	607,721	333,963	222,323	12,387
Total liabilities and fund equity	\$ 4,569,957	\$ 4,607,890	\$ 222,323	\$ 57,006

Combined Balance Sheet – All Fund Types and Account Groups
(Continued)
December 31, 2003

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total Government (Memorandum Only)	
				December 31	
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	2003	2002
\$ 235,977	\$ -	\$ -	\$ -	\$ 617,112	\$ 405,043
23,432	892	-	-	660,768	504,964
77,720	-	-	-	77,720	79,491
-	855,981	-	-	2,563,405	1,670,202
23,746	1,054,552	-	-	1,095,360	957,485
-	-	-	-	5,538,717	3,484,241
3,510,000	-	-	2,209,803	5,719,803	5,914,225
3,870,875	1,911,425	-	2,209,803	16,272,885	13,015,651
5,054,420	-	-	-	5,054,420	4,999,740
-	-	6,959,295	-	6,959,295	5,097,660
8,473,136	-	-	-	8,473,136	7,621,954
-	13,002,926	-	-	13,517,444	14,456,770
-	-	-	-	661,876	3,088,172
13,527,556	13,002,926	6,959,295	-	34,666,171	35,264,296
\$ 17,398,431	\$ 14,914,351	\$ 6,959,295	\$ 2,209,803	\$ 50,939,056	\$ 48,279,947

Charter Township of Benton, Michigan

Combined Statement of Revenue, Expenditures and Changes in Fund Balances – All Governmental Fund Types Year Ended December 31, 2003

	Governmental Fund Types				Total Government (Memorandum Only)	
					December 31	
	General	Special Revenue	Capital Projects	Debt Service	2003	2002
Revenue						
Taxes	\$ 353,031	\$ 2,860,927	\$ -	\$ -	\$ 3,213,958	\$ 3,328,114
Licenses and permits	287,344	36,420	-	-	323,764	238,322
Federal sources	-	67,814	-	-	67,814	65,358
State sources	1,658,950	5,644	-	-	1,664,594	1,797,052
Charges for services	492,537	-	-	-	492,537	426,167
Donations from private sources	-	-	-	-	-	171,400
Interest	124,456	-	5,170	13,134	142,760	163,800
Other	136,411	117,838	-	-	254,249	271,322
Total revenue	3,052,729	3,088,643	5,170	13,134	6,159,676	6,461,535
Expenditures						
General government	2,309,316	-	-	-	2,309,316	1,698,424
Public safety	453,757	4,200,918	-	-	4,654,675	4,378,623
Debt service	-	-	-	203,400	203,400	42,890
Other	1,336,449	-	174,000	1,728,792	3,239,241	854,519
Total expenditures	4,099,522	4,200,918	174,000	1,932,192	10,406,632	6,974,456
Deficiency of Revenue Over Expenditures	(1,046,793)	(1,112,275)	(168,830)	(1,919,058)	(4,246,956)	(512,921)
Other Financing Sources (Uses)						
Operating transfers in	-	1,105,000	-	290,515	1,395,515	746,574
Operating transfers out	(1,395,515)	-	-	-	(1,395,515)	(746,574)
Loan proceeds	-	-	-	-	-	1,698,325
Total other financing sources (uses)	(1,395,515)	1,105,000	-	290,515	-	1,698,325
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	(2,442,308)	(7,275)	(168,830)	(1,628,543)	(4,246,956)	1,185,404
Fund Balances - Beginning of year	3,050,029	341,238	391,153	1,640,930	5,423,350	4,237,946
Fund Balances - End of year	\$ 607,721	\$ 333,963	\$ 222,323	\$ 12,387	\$ 1,176,394	\$ 5,423,350

Charter Township of Benton, Michigan

Combined Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual General and Certain Special Revenue Fund Types Year Ended December 31, 2003

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenue						
Taxes	\$ 342,000	\$ 353,031	\$ 11,031	\$ 3,746,670	\$ 2,860,927	\$ (885,743)
Licenses and permits	211,000	287,344	76,344	115,000	36,420	(78,580)
Federal sources	-	-	-	16,000	67,814	51,814
State sources	1,700,000	1,658,950	(41,050)	-	5,644	5,644
Charges for services	472,000	492,537	20,537	21,000	-	(21,000)
Interest	125,000	124,456	(544)	-	-	-
Other	105,000	136,411	31,411	70,330	115,059	44,729
Total revenue	2,955,000	3,052,729	97,729	3,969,000	3,085,864	(883,136)
Expenditures						
General government	1,524,900	2,309,316	(784,416)	-	-	-
Public safety	440,000	453,757	(13,757)	4,141,000	4,200,918	(59,918)
Other	816,000	1,336,449	(520,449)	-	-	-
Total expenditures	2,780,900	4,099,522	(1,318,622)	4,141,000	4,200,918	(59,918)
Excess (Deficiency) of Revenue Over Expenditures	174,100	(1,046,793)	(1,220,893)	(172,000)	(1,115,054)	(943,054)
Other Financing Sources (Uses)						
Operating transfers in	-	-	-	40,000	1,105,000	1,065,000
Operating transfers out	(249,000)	(1,395,515)	(1,146,515)	-	-	-
Total other financing sources (uses)	(249,000)	(1,395,515)	(1,146,515)	40,000	1,105,000	1,065,000
Deficiency of Revenue and Other Financing Sources Over Expenditures and Other Uses	(74,900)	(2,442,308)	(2,367,408)	(132,000)	(10,054)	121,946
Fund Balances - Beginning of year	3,050,029	3,050,029	-	77,056	77,056	-
Fund Balances - End of year	\$ 2,975,129	\$ 607,721	\$ (2,367,408)	\$ (54,944)	\$ 67,002	\$ 121,946

Charter Township of Benton, Michigan

Combined Statement of Revenue, Expenses and Changes in Retained Earnings/Fund Balances - All Proprietary Fund Types Year Ended December 31, 2003

	December 31	
	2003	2002
	(Memorandum Only)	
Operating Revenue		
Charges for services	\$ 3,055,198	\$ 3,388,124
Other revenue	<u>2,393</u>	<u>25,931</u>
Total operating revenue	3,057,591	3,414,055
Operating Expenses		
General operating expenses	2,157,666	2,276,808
Depreciation and amortization	<u>589,526</u>	<u>536,123</u>
Total operating expenses	<u>2,747,192</u>	<u>2,812,931</u>
Operating Income	310,399	601,124
Nonoperating Revenue (Expenses)		
Investment income	232,330	293,211
Interest expense	<u>(189,007)</u>	<u>(193,112)</u>
Total nonoperating revenue (expenses)	<u>43,323</u>	<u>100,099</u>
Net Income Before Contributed Capital	353,722	701,223
Contributed Capital	<u>497,460</u>	<u>-</u>
Net Income	851,182	701,223
Retained Earnings/Fund Balances -		
Beginning of year	<u>7,621,954</u>	<u>6,920,731</u>
Retained Earnings/Fund Balances -		
End of year	<u>\$ 8,473,136</u>	<u>\$ 7,621,954</u>

Charter Township of Benton, Michigan

Combined Statement of Cash Flows All Proprietary Fund Types Year Ended December 31, 2003

	Totals	
	2003	2002
	(Memorandum Only)	
Cash Flows from Operating Activities		
Operating income	\$ 310,399	\$ 601,124
Adjustments to reconcile operating income to net cash by operating activities:		
Depreciation and amortization	589,526	536,123
Changes in assets and liabilities:		
Receivables	(310,929)	(140,994)
Due from other funds	(401,915)	23,474
Accounts payable	69,430	(38,200)
Accrued and other liabilities	7,799	(345,184)
Due to other funds	(154,323)	(76,264)
Deferred revenue	(75,150)	-
Due to other governmental units	(24,015)	(3,316)
Net cash provided by operating activities	10,822	556,763
Cash Flows from Capital and Related Financing Activities		
Collection of customer assessments (principal and interest)	321,508	267,807
Purchase of capital assets	(966,262)	(113,283)
Principal and interest paid on long-term debt	(275,778)	(273,112)
Additional contributed capital	54,680	46,215
Net cash used in capital and related financing activities	(865,852)	(72,373)
Cash Flows from Investing Activities		
Sale of investments	-	2,329,481
Interest received on investments	75,904	232,098
Net cash provided by investing activities	75,904	2,561,579
Net Increase (Decrease) in Cash and Cash Equivalents	(779,126)	3,045,969
Cash and Cash Equivalents - Beginning of year	5,887,953	2,841,984
Cash and Cash Equivalents - End of year	\$ 5,108,827	\$ 5,887,953

Charter Township of Benton, Michigan

Combined Statement of Changes in Plan Net Assets Trust Funds Year Ended December 31, 2003

	Year Ended December 31	
	2003	2002
	(Memorandum Only)	
Additions		
Interest and dividends	\$ 436,508	\$ 457,422
Net appreciation (depreciation) in fair value of investments	870,154	(1,417,002)
Contributions:		
Employer	155,655	129,300
Employee	<u>123,833</u>	<u>111,180</u>
Total contributions	279,488	240,480
Total additions	1,586,150	(719,100)
Deductions		
Benefit payments	675,373	654,136
Administrative expenses	<u>29,443</u>	<u>45,293</u>
Total deductions	<u>704,816</u>	<u>699,429</u>
Net Increase (Decrease)	881,334	(1,418,529)
Net Assets Held in Trust for Pension Benefits:		
Beginning of year	12,121,592	13,540,121
End of year	<u><u>\$ 13,002,926</u></u>	<u><u>\$ 12,121,592</u></u>

Charter Township of Benton, Michigan

Notes To Financial Statements
December 31, 2003

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Charter Township is governed by an elected 7-member Board of Trustees. As required by accounting principles generally accepted in the United States of America, these financial statements present the Charter Township of Benton. In accordance with these accounting principles, there are no component units to be included in these financial statements.

The Police and Fire retirement system has been blended into the Charter Township's financial statements as the Pension Trust Fund. The system is governed by a 5-member pension board that includes three individuals chosen by the Charter Township Board. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the Charter Township retains relative to the operations of the retirement system.

The Charter Township has excluded the Housing Commission from this report since the Charter Township is not able to impose its will on the Housing Commission. The Housing Commission was created by ordinance of the Charter Township of Benton, Michigan. The purpose is to provide safe, sanitary and decent housing for qualifying senior and low income families.

In August of 2003 the Charter Township created a Brownfield Redevelopment Authority to revitalize selected environmentally distressed areas within the Township limits. This Authority had no assets as of December 31, 2003 and no activity for the year then ended.

Fund Accounting

The accounts of the Charter Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in three broad fund categories as follows:

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the Charter Township that are not accounted for in another fund. General Fund activities are financed by revenues from general property taxes, state-shared revenues and other sources.

Charter Township of Benton, Michigan

Notes To Financial Statements
December 31, 2003

Note 1 – Summary of Significant Accounting Policies (Continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenues or financing activities requiring separate accounting because of legal or regulatory provisions.

Capital Projects Fund – The Capital Projects Fund is used to account for the development of capital facilities other than those financed by the operations of an enterprise fund.

Debt Service Fund – The Debt Service Fund is used to account for the annual payment of principal, interest and expenses in connection with certain long-term debt other than debt payable from the operations of an enterprise fund.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for the results of operations that provide a service to citizens that are financed primarily by a user charge for the provision of that service.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency funds are used to account for assets held by the Charter Township in a trustee capacity or as an agent for individuals, organizations, other governments or other funds. These include the Pension Trust Fund and the Retiree Health Insurance Trust Fund and the Agency Funds. The Trust Funds are accounted for in the same manner as proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Basis of Accounting

The accrual basis of accounting is used by the proprietary funds and the Pension Trust funds. All governmental funds and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year.

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 1 – Summary of Significant Accounting Policies (Continued)

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at December 31.

- b. Noncurrent receivables, such as special assessments, are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year-end.
- c. Interest income on special assessments receivable is not accrued until its due date.
- d. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- e. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- f. Normally, expenditures are not divided between years by the recording of prepaid expenses.
- g. The noncurrent portion of accumulated sick and vacation pay liabilities is reflected in the General Long-Term Debt Account Group.

Fixed Assets and Long-Term Liabilities - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and lighting systems. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost, or if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Fixed assets and long-term liabilities relating to the proprietary funds are accounted for in those funds. Depreciation on such fixed assets is charged as an expense against the operations of the proprietary funds on a straight-line basis.

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 1 – Summary of Significant Accounting Policies (Continued)

Cash Equivalents - For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Investments - Investments are recorded at fair value, based on quoted market prices.

Memorandum Only Totals - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Other accounting policies are disclosed in other notes to financial statements.

Note 2 – Deposits and Investments

The Charter Township's deposits and investments are included on the balance sheet under the following classifications:

Cash and cash equivalents	\$ 8,222,911
Investments	<u>14,682,157</u>
Total	<u>\$ 22,905,068</u>

The above amounts are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 9,943,709
Investments in securities, mutual funds and similar vehicles	12,959,834
Petty cash or cash on hand	<u>1,525</u>
Total	<u>\$ 22,905,068</u>

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 2 – Deposits and Investments (Continued)

Deposits - The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$10,134,664. Of that amount, \$500,000 was covered by federal depository insurance and \$9,634,664 was uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Charter Township evaluates each financial institution it deposits Charter Township funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments - The Charter Township is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of non-pension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

The Pension Retirement System is also authorized by various State of Michigan laws to invest in certain corporate equity and debt instruments and certain other specified investment vehicles.

The Charter Township's investments are categorized to give an indication of the level of risk assumed by the entity at December 31, 2003. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the Charter Township or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by:

- a. The counterparty, or
- b. The counterparty's trust department (or agent) but not in the Charter Township's name.

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 2 – Deposits and Investments (Continued)

Category 3 investments are as follows:

	<u>Carrying Value</u>
Trust Funds:	
U.S. government securities	\$ 2,342,484
Corporate bonds	2,776,584
Common stocks	<u>7,223,311</u>
 Total Category 3 Investments	 12,342,379
 Bank investment pool	 <u>617,455</u>
 Total investments - Trust Funds	 <u><u>\$ 12,959,834</u></u>

The bank investment pool funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The bank investment pool is regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Management believes that the investments in the funds comply with the investment authority noted above.

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 3 – Interfund Receivables

The following are the interfund receivables at December 31, 2003:

General Fund	
Trust and Agency Funds	\$ 160,017
Total General Fund	160,017
Special Revenue Funds	
General Fund	829,389
Trust and Agency Funds	<u>533,219</u>
Total Special Revenue Funds	1,362,608
Enterprise Funds	
General Fund	878,035
Trust and Agency Funds	<u>162,745</u>
Total Enterprise Funds	<u>1,040,780</u>
Total Interfund Receivables	<u><u>\$ 2,563,405</u></u>

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 4 – Capital Assets

A summary of changes in general fixed assets follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Land	\$ 907,480	\$ 200,000	\$ 443	\$ 1,107,037
Buildings	1,619,466	1,728,792	-	3,348,258
Equipment and vehicles	<u>2,570,714</u>	<u>258,743</u>	<u>325,457</u>	<u>2,504,000</u>
Total	<u>\$ 5,097,660</u>	<u>\$ 2,187,535</u>	<u>\$ 325,900</u>	<u>\$ 6,959,295</u>

A summary of proprietary fund fixed assets at December 31, 2003 follows:

	Sanitary Sewage System Fund	Water Fund	Total	Depreciable Life-Years
Land	\$ 34,628	\$ -	\$ 34,628	-
Vehicles	168,769	-	168,769	5
Utility system	9,822,296	7,453,059	17,275,355	17-50
Machinery and equipment	<u>143,409</u>	<u>14,342</u>	<u>157,751</u>	5-20
Total	10,169,102	7,467,401	17,636,503	
Less accumulated depreciation	<u>(5,300,380)</u>	<u>(3,430,853)</u>	<u>(8,731,233)</u>	
Net	<u>\$ 4,868,722</u>	<u>\$ 4,036,548</u>	<u>\$ 8,905,270</u>	

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 5 – Deferred Revenue

The Township has deferred revenue of approximately \$1,116,000 related to the Woodridge Place Subdivision Project at December 31, 2003. The criteria for collecting the revenue were fulfilled in April, 2004, and the revenue was recognized at that point.

A summary of deferred revenue is as follows:

General Fund	
Woodridge Place Subdivision	\$ 1,116,050
Special assessments	244,304
Taxes	340,083
Other	<u>32,301</u>
Total General Fund	1,732,738
Special Revenue Funds	
Taxes	3,756,109
Other	<u>49,870</u>
Total Special Revenue Funds	<u>3,805,979</u>
Total Deferred Revenue	<u><u>\$ 5,538,717</u></u>

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 6 – Long-Term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the Charter Township:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
General Long-term Debt Group of Accounts				
Municipal Purchase Contract	1	4.99%	2016	\$ 1,560,000
Lease Payable	1	19.68%	2005	9,474
Accumulated employee benefits				<u>640,329</u>
Total general long-term debt				2,209,803
Enterprise Funds				
General obligation bond	1	5.0-5.5%	2025	<u>3,510,000</u>
Total outstanding debt				<u>\$ 5,719,803</u>

The accumulated employee benefits represent the estimated liability to be paid governmental fund type employees under the Charter Township's sick and vacation pay policy, net of the portion estimated to be paid currently (which has been recorded as a liability in the applicable governmental fund). Under the Charter Township's policy, employees earn sick and vacation time based on time of service with the Charter Township.

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 6 – Long-Term Debt (Continued)

Changes In Long-Term Debt

The following is a summary of long-term debt transactions of the Charter Township for the year ended December 31, 2003:

	General Long-Term Obligations
Balance - January 1, 2003	\$ 5,914,225
Increase in obligation for employee benefits	19,429
Debt retired	<u>(213,851)</u>
Balance - December 31, 2003	<u>\$ 5,719,803</u>

Debt Service Requirements

The annual requirements to service all debt outstanding as of December 31, 2003 (excluding capital leases and employee benefits), including both principal and interest, are as follows:

	<u>General Obligation</u>
2004	\$ 474,139
2005	468,352
2006	457,531
2007	451,707
2008	445,788
2009 and thereafter	<u>5,882,452</u>
Total	<u>\$ 8,179,969</u>

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 6 – Long-Term Debt (Continued)

Interest

Total interest incurred by the Charter Township for the year approximated \$277,000.

Capital Leases

The future minimum lease payments for all capital leases are as follows:

2004	\$	8,136
2005		2,712
Less portion representing interest		<u>(1,374)</u>
Present value at December 31, 2003	\$	<u><u>9,474</u></u>

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township participates in the Michigan Municipal League (risk pool) for claims relating to workers' compensation and in the Michigan Townships Participating Plan for all other claims.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 8 – Contributed Capital

The following is an analysis of contributed capital for the year ended December 31, 2003:

	Sanitary Sewage System Fund	Water Fund	Total Enterprise Funds
Balance - January 1, 2003	\$ 497,751	\$ 4,501,989	\$ 4,999,740
Customer connection fees	-	54,680	54,680
Balance - December 31, 2003	<u>\$ 497,751</u>	<u>\$ 4,556,669</u>	<u>\$ 5,054,420</u>

Note 9 – Reserved Fund Balance

Special Revenue Funds		
Reserve for grant related expenditures	\$ 266,961	
Drug enforcement income	<u>12,847</u>	279,808
Capital Project Funds		
Reserve for equipment and replacement		222,323
Debt Service Funds		
Reserve for principal and interest payments on outstanding debt		12,387
Fiduciary Funds		
Reserve for employees' retirement system	12,573,439	
Reserve for post employment health benefits	<u>429,487</u>	<u>13,002,926</u>
Total reserved fund balance		<u>\$ 13,517,444</u>

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 10 – Budget Information

The annual budget is prepared by the Township's Controller and adopted by the Charter Township Board; subsequent amendments are approved by the Charter Township Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2003 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget statement comparing actual to budgeted revenues and expenditures is presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budget statement to the operating statement:

	Special Revenue Funds
	<u>Total Revenue</u>
Amounts per operating statement	\$ 3,088,643
Community Development funds budgeted on a program basis	<u>(2,779)</u>
Amounts per budget statement	<u><u>\$ 3,085,864</u></u>

The Community Development fund is a special revenue fund contained in the special revenue combined statement of revenue, expenditures and changes in fund balance. A budget was not developed for this fund for the year ended December 31, 2003 because the budgets were developed on a program basis and cover a period of more than twelve months. The Special Revenue Funds combined statement of revenue, expenditures and changes in fund balances compared to budget, therefore, do not include these funds.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A comparison of actual results of operations to the General Fund and Special Revenue Funds budgets as adopted by the Charter Township Board is included in the additional information. This comparison includes expenditure budget overruns.

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 10 – Budget Information (Continued)

Significant expenditure budget overruns were as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund		
Township Board	\$ 621,000	\$ 655,992
Assessor	244,000	319,749
Township Hall and Grounds	117,000	137,232
Community Development	-	697,632
Highways, Streets and Bridges	65,000	632,223
Other Financing Uses	249,000	1,395,515
Police Fund		
Expenditures	2,625,000	2,674,126
Fire Fund		
Expenditures	1,495,000	1,508,559

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 11 – Segment Information for Enterprise Funds

The Charter Township maintains two Enterprise Funds that provide water and sewer services. Segment information for the year ended December 31, 2003 was as follows:

	Sanitary Sewage System Fund	Water Fund	Total Enterprise Funds
Operating Revenue	\$ 1,866,058	\$ 1,191,533	\$ 3,057,591
Operating Income	297,999	12,400	310,399
Nonoperating Revenue	(113,909)	157,232	43,323
Net Income	184,090	169,632	353,722
Current Capital Contributions	-	54,680	54,680
Land, Buildings and Equipment:			
Additions	305,559	660,703	966,262
Depreciation expense	317,329	265,876	583,205
Net Working Capital	3,485,810	3,236,552	6,722,362
Total Assets	9,092,075	8,306,356	17,398,431
Total Equity	5,262,721	8,264,835	13,527,556

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 12 – Post-Employment Benefits

The Charter Township provides health care benefits at retirement to all employees covered under the police and fire retirement system, in accordance with labor contracts. Currently, sixteen retirees are eligible. The Charter Township includes pre-Medicare retirees and their dependents in its insured health care plan, and pays the monthly premium cost up to \$400 for all police and fire retirement system participants. The participant must pay any balance. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to \$71,655.

Note 13 – Pension Plan

Plan Description

The Police and Fire Pension Plan is a single-employer defined benefit pension plan that is administered by the Charter Township of Benton Police and Fire Employees Retirement System; this plan covers all full time police and fire employees of the Township. The system provides retirement, disability and death benefits to plan members and their beneficiaries. At December 31, 2002, the date of the most recent actuarial valuation, membership consisted of 34 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 44 current active employees. The plan does not issue a separate financial report.

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 6.5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 13 – Pension Plan (Continued)

Annual Pension Cost

For the year ended December 31, 2003, the Township's annual pension cost of \$0 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7 percent investment rate of return, (b) projected salary increase of 4 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a five year period.

Reserves

As of December 31, 2003, the Plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 1,775,387
Reserve for retired benefit payments	10,798,052

Three Year Trend Information

	Year Ended December 31,		
	2000	2001	2002
Annual pension cost	\$ -	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Note 14 – Defined Contribution Retirement Plan

The Charter Township provides pension benefits to all of its full-time employees (except police and fire) through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Benton Charter Township Board, the Charter Township contributes 10 percent of employees' gross earnings and employees contribute 5 percent of earnings. In accordance with these requirements, the Charter Township contributed \$125,195 during the current year and employees contributed \$62,598.

Charter Township of Benton, Michigan

Notes To Financial Statements December 31, 2003

Note 15 – Construction Code Fees

The Township oversees building construction, in accordance with the state's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2001 is as follows:

Deficit - January 1, 2003	\$ (350,430)
Building permit revenue	228,007
Related expenses:	
Direct costs	<u>(363,959)</u>
Accumulated shortfall - December 31, 2003	<u>\$ (486,382)</u>

Note 16 – Upcoming Reporting Change

For the year beginning January 1, 2004, the Township plans to adopt GASB Statement Number 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Enterprise funds will no longer report capital contributions as a direct increase to equity. Information is not available to present pro-forma data that would show the effect of this future change.